

Senate, House Members Release Results of GAO Report On Long-Term Care Insurance

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SENATE, HOUSE MEMBERS RELEASE RESULTS OF GAO REPORT ON LONG-TERM CARE INSURANCE
Report Released in Advance of Tomorrow's House Energy & Commerce Hearing

Washington D.C.

— Today Senator Herb Kohl (D-WI), Chairman of the Senate Special Committee on Aging, and Senator Chuck Grassley (R-IA), Ranking Member of the Senate Committee on Finance, were joined by Rep. John D. Dingell (D-MI), Chairman of the House Committee on Energy and Commerce, Rep. Joe Barton, Ranking Member of the House Committee on Energy and Commerce, and other Senate and House colleagues in releasing a report by the U.S. Government Accountability Office (GAO) on the consumer protections states have in place for those who purchase long-term care insurance (LTCI).

Due to the rapid aging of America's population, the marketplace for long-term care services is expected to expand significantly. Private LTCI has emerged as one possible way individuals can prepare for their long-term care needs later in life. In their request to GAO, members of Congress expressed their interest in examining the frequency with which consumers are experiencing denial of benefits and exorbitant rate increases. In light of such practices, the GAO report examined the robustness of states' rate setting standards and the rules for settling of benefit denials.

Congressional requesters expect to use the report findings as a guideline for determining the future viability of LTCI and to consider what, if any, regulatory steps could be taken on the federal level to strengthen consumer protections. Tomorrow at 10:00 a.m. in 2123 Rayburn House

Office Building, Rep. Bart Stupak (D-MI), Chairman of the House Energy and Commerce Subcommittee on Oversight and Investigations, will hold a hearing entitled, "Long-Term Care Insurance: Are Consumers Protected for the Long Term?" This hearing is the second in the subcommittee's series to explore issues of long-term care service delivery and financing issues.

GAO found that rate increases for LTCI policies fluctuate widely from state to state and plan to plan. For example, one company cited in the report repeatedly raised premiums, resulting in a cumulative increase of more than 70 percent since 1991, while another company has raised premiums only once since 1975. According to the report, rate stability standards, which are designed to protect consumers against sharp premium increases, have now been adopted by more than half of all states. However, because many states have not yet adopted these standards, a vast number of consumers are still left unprotected. Additionally, because the rate standards are so new, state regulators are unsure of how successful they will be in moderating future premium increases.

GAO also reviewed claims settled by LTCI companies in ten states by evaluating consumer complaints. The report found that standards for the timely payment of consumer claims varied significantly by state, with "timely" being defined as five days in one state and 45 days in another. One state did not have a timeliness requirement at all. GAO also noted that some states are considering implementing an external appeals process for adjudicating disputed claims.

The federal government expects that as many as 30 states will have Long-Term Care Partnership programs in place by the end of this year. These programs encourage the private purchase of LTCI and feature state-approved plans that combine private LTCI with possible add-on Medicaid coverage in policies that allow consumers to protect some portion of their accumulated financial assets. Many state officials, as well as LTCI providers, are enthusiastically supporting rollout of these Partnership programs. As programs of this nature unfold across the country, the GAO report's findings make it clear that consumers who are urged by state governments to purchase these plans must have access to comprehensive, accurate information about Partnership-approved plans to determine whether they are a sound and affordable choice for them.

The report was requested jointly by the following:

Senator Herb Kohl (D-WI), Chairman of the Senate Special Committee on Aging

Senator Chuck Grassley (R-IA), Ranking Member of the Senate Committee on Finance

Rep. John D. Dingell (D-MI), Chairman of the House Committee on Energy and Commerce

Rep. Joe Barton (R-TX), Ranking Member of the House Committee on Energy and Commerce

Senator Hillary Rodham Clinton (D-NY), member of the Senate Special Committee on Aging

Senator Byron Dorgan (D-ND)

Senator Amy Klobuchar (D-MN)

Senator Barack Obama (D-IL)

"We need to make sure we get some of these already troubling issues resolved, especially since state governments are partnering with long-term care insurance companies," said Senator Kohl. "Congress is doing the right thing by taking a close look at long-term care insurance to make sure consumers are protected."

"The very high costs of long-term care make it smart public policy to help people manage their financial risk with long-term care insurance policies. It's also important to make sure these products are viable and don't leave consumers with big premiums and little security. This new report provides helpful information for federal and state lawmakers, regulators and consumer watchdogs in meeting that challenge," Senator Grassley said.

"The GAO's findings and our own Committee staff's investigation have identified troubling weaknesses in the states' ability to protect consumers from abusive practices," said Rep. Dingell. "If the insurance industry is not up to the task of correcting these problems swiftly and treating vulnerable policyholders and their families fairly then Congress will need to consider steps to ensure strong, uniform national standards. Our oversight hearing tomorrow will lay the groundwork for urgently needed reforms in the industry and at the state and federal levels."

"As more and more Americans choose to purchase private long-term care insurance to prepare for future needs, we must ensure that the product is fair and accessible. Companies, in partnership with government, should offer fair pricing, transparency in premium increases, and timely responses to complaints. I am proud that my state of New York was a pioneer in the Long Term Care Partnership program, and also holds some of the highest standards in the country for these types of consumer protections. As this GAO report makes clear, however, the federal government has a role to play; we need to take steps to ensure that seniors have the resources and information they need to make the right choices about long-term care," said Senator Clinton.

"When planning for their long-term care, people want the peace of mind that their insurance premiums won't be increased in dramatic and unpredictable ways, and that they'll have timely access to care," said Senator Dorgan. "This type of basic stability for long-term care will protect consumers and provide better healthcare access for those who need it."

"This report underscores the need for a new approach to long-term care insurance to ensure that as the baby boom generation ages, standards will be in place to help people plan for their health care needs," said Senator Klobuchar. "Long-term care insurance will be critical to ensuring that our seniors have the care they need to live independently and stay in their own homes as long as possible."

"Affordable and comprehensive long-term care is critical for the health, safety and independence of America's seniors," said Senator Obama. "Many Americans are spending thousands of dollars on private long-term care insurance, and yet when they need help the most, they often face lengthy waiting periods and wrongful denials of claims. We must take steps to strengthen oversight of this industry, ensure claims processes are consistent and fair, and guarantee that benefit packages offer the financial protection promised. I commend Chairman Kohl for his leadership on this important issue, and I look forward to working with my colleagues to address the findings of this report."

"The GAO has identified significant gaps among the states in their abilities to protect consumers from abusive practices by their insurance companies," Rep. Stupak said. "We look forward to hearing more tomorrow from GAO, other experts, state regulators and the industry itself about these issues, and to hearing their ideas for addressing the problems that policyholders face when they need to use the insurance they have struggled so hard to pay for."

[View the Report](#)

Prepared by the Committee on Energy and Commerce

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